



KENDRICK R. RIGGS

DIRECT DIAL 502-560-422  
DIRECT FAX 502-627-8722

kriggs@ogdenlaw.com

1700 PNC PLAZA  
500 WEST JEFFERSON STREET  
LOUISVILLE, KENTUCKY 40202-2874  
(502) 582-1601  
FAX (502) 581-9564  
www.ogdenlaw.com

January 27, 2005

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JAN 27 2005

PUBLIC SERVICE  
COMMISSION

**VIA HAND DELIVERY**

Elizabeth O'Donnell  
Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
Frankfort, Kentucky 40601

**RE: *In the Matter of the Investigation Into the Membership of Louisville Gas and Electric Company and Kentucky Utilities Company in the Midwest Independent Transmission System Operator*  
Case No. 2003-00266**

Dear Ms. O'Donnell:

Enclosed please find and accept for filing the original and ten copies of Louisville Gas and Electric Company's and Kentucky Utilities Company's Reply to Response to LG&E/KU's Objection to the Midwest ISO's 1/21/05 Supplemental Data Responses in the above-referenced matter. Please confirm your receipt of this filing by placing the stamp of your Office with the date received on the enclosed additional copies and return them to me in the enclosed self-addressed stamped envelope.

Should you have any questions or need any additional information, please contact me at your convenience.

Very truly yours,

Kendrick R. Riggs

KRR/ec  
Enclosures  
cc: Parties of Record

**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE PUBLIC SERVICE COMMISSION**

**RECEIVED**

**In the Matter of:**

JAN 27 2005

**INVESTIGATION INTO THE )**  
**MEMBERSHIP OF LOUISVILLE )**  
**GAS AND ELECTRIC COMPANY )**  
**AND KENTUCKY UTILITIES )**  
**COMPANY IN THE MIDWEST )**  
**INDEPENDENT TRANSMISSION )**  
**SYSTEM OPERATOR, INC. )**

PUBLIC SERVICE  
COMMISSION

**CASE NO. 2003-00266**

**REPLY OF KENTUCKY UTILITIES COMPANY AND  
LOUISVILLE GAS AND ELECTRIC COMPANY IN FURTHER SUPPORT OF  
OBJECTION TO THE MIDWEST INDEPENDENT SYSTEM OPERATOR, INC.'S  
SUPPLEMENTAL DATA RESPONSES**

The Midwest System Operator, Inc. ("MISO") has filed a response to the previously-filed objection of Louisville Gas and Electric Company and Kentucky Utilities Company (collectively the "Companies") to certain supplemental data responses filed by MISO. That response, however, fails to adequately respond to the Companies' objection and also misinterprets the scope of that objection.

**MISO's Supplemental Response No. 2**

MISO contends that its "supplemental" response to Data Request No. 2 should be permitted because it was "directly responsive" to the Companies' request. That contention is inaccurate. In Supplemental Request No. 2(b) the Companies asked for any other analyses or studies which had been "obtained, conducted or performed" at MISO's direction. The Companies did not request or direct MISO to perform any additional such analyses or studies. Nonetheless, the "supplemental" response provided by MISO did not include other studies which had previously been performed but not produced. To the contrary, MISO commissioned and

provided an additional cost-benefit analysis with results that are significantly different than those contained in the previously-filed analysis.

It is clear, therefore, that the additional analysis filed by MISO, and the testimony of Dr. McNamara which accompanies it, is not responsive to the Companies' supplemental data requests. Also, as explained in the Companies' original Objection, that additional testimony is not permitted by the Commission's procedural schedule. Moreover, MISO itself acknowledges, at pages 3-4 of its Response, that the newly-filed cost-benefit analysis continues to include "the same generating units used in its earlier studies" filed in this proceeding. As the Companies have detailed in other filings in this case, the inclusion of a number of those generating units in MISO's analysis creates significant errors in the results. For example, MISO contends that its cost-benefit study was intended to depict the benefits of the state of Kentucky. If that is the case, the BREC *load* should have been included to offset the generation revenues. Recognition of the BREC load would have significantly reduced the off-system sales depicted in the cost/benefit study. Thus, this additional analysis by MISO has no probative value in that it makes the same errors as did MISO's previous studies. For all of those reasons, MISO's Supplemental Response No. 2 should be stricken from the record.

**MISO's Supplemental Response No. 47**

MISO's Response also takes issue with the Companies' purported objection to Supplemental Response No. 47. MISO has misinterpreted the Companies' objection. As a point of clarification, the Companies have only objected to, and only seek to strike, MISO's Supplemental Response No. 2, for all of the reasons previously stated.

**WHEREFORE**, for all of the foregoing reasons, the Companies request that the Commission strike MISO's Supplemental Response No. 2 to the December 7, 2004 Data Requests from the record in this proceeding or, alternatively, allow responsive testimony from

the Companies on February 4, 2005.<sup>1</sup> The sooner the Commission enters an order in this investigation granting the Companies their requested relief, the more rapidly they can apply to the Federal Energy Regulatory Commission for an order to withdraw as well.

Dated: January 27, 2005

Respectfully submitted,



Kendrick R. Riggs  
J. Gregory Cornett  
W. Duncan Crosby III  
OGDEN NEWELL & WELCH PLLC  
1700 PNC Plaza  
500 West Jefferson Street  
Louisville, Kentucky 40202  
Telephone: (502) 582-1601

Elizabeth L. Cocanougher  
Senior Corporate Counsel  
Louisville Gas and Electric Company  
220 West Main Street  
Post Office Box 32010  
Louisville, Kentucky 40232  
Telephone: (502) 627-4850

Counsel for Louisville Gas and Electric  
Company and Kentucky Utilities Company

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<sup>1</sup> MISO has not objected to that alternative relief. See MISO's Response, page 3.

**CERTIFICATE OF SERVICE**

I hereby certify that a true copy of the foregoing Reply was served electronically and via U.S. mail, first-class, postage prepaid, this 27th day of January 2005, upon the following persons:

Katherine K. Yunker  
Benjamin D. Allen  
Yunker & Associates  
Post Office Box 21784  
Lexington, Kentucky 40522-1784

James C. Holsclaw  
Stephen G. Kozey  
Midwest ISO  
701 City Center Drive  
Carmel, Indiana 46032

Elizabeth E. Blackford  
Assistant Attorney General  
Office of the Attorney General  
Utility & Rate Intervention Office  
1024 Capital Center Drive, Suite 200  
Frankfort, Kentucky 40601-8204

David F. Boehm  
Michael L. Kurtz  
Boehm, Kurtz & Lowry  
36 East Seventh Street, Suite 2110  
Cincinnati, Ohio 45202

Stephen L. Teichler  
1667 K Street, N.W., Suite 700  
Washington, DC 20006-1608

Richard G. Raff  
Staff Counsel  
Kentucky Public Service Commission  
211 Sower Boulevard  
Frankfort, Kentucky 40601

  
\_\_\_\_\_  
Counsel for Louisville Gas and Electric  
Company and Kentucky Utilities Company